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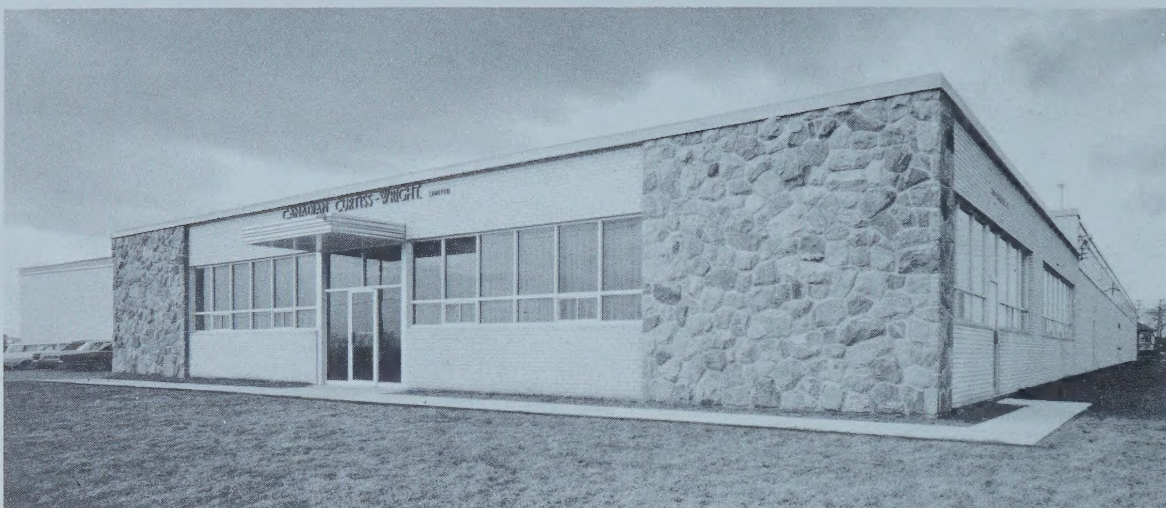
# Canadian Curtiss · Wright, Limited

## 1965 ANNUAL REPORT

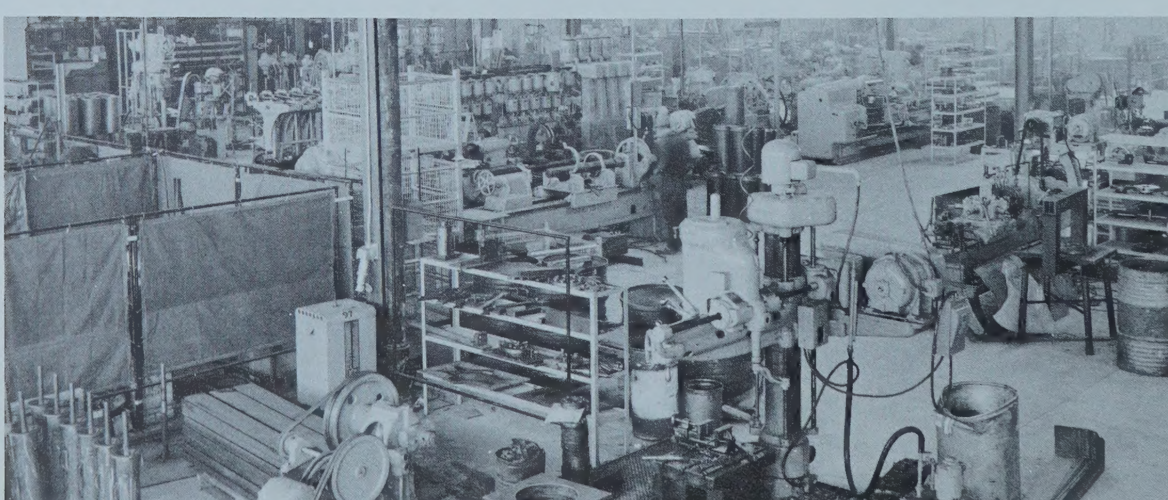
for the year ended December 31.

# Canadian Curtiss Wright, Limited




EXTERIOR VIEW of the new Headquarters for Canadian Curtiss-Wright, Limited and its manufacturing subsidiary, The Midland Foundry and Machine Company Limited, located at 500 Carlingview Drive, Rexdale, (Toronto), Ontario.

## Diversified Products for an Expanding Economy



INTERIOR VIEW showing a portion of the manufacturing area including new machinery.

## To The Shareholders of Canadian Curtiss-Wright, Limited:

Consolidated sales of Canadian Curtiss-Wright, Limited for the year 1965 were $5,584,616 compared with $5,337,593 in 1964. After-tax profits were $56,224 as compared to $82,706 in the previous year.

The most significant action taken by your Company in 1965 was the consolidation of the three separate manufacturing plants (two at Midland and one in Toronto) into a modern, one-story leased building, built to our specifications, in Rexdale, Ontario (a suburb of Toronto close to Malton Airport).

The decision of your Board of Directors to effect this consolidation was based upon an exhaustive study of various means of ensuring future growth at improved profit margins. This analysis, conducted over a period of many months, led to the conclusion that the combining of all manufacturing in one plant in the Metropolitan Toronto area, thereby eliminating duplicate manufacturing and service functions, was essential to the attainment of our objectives.

Timed to take advantage of a traditionally low production period, the move from Midland and our old Toronto plant was scheduled, and essentially completed, in the month of December. Sales and accounting functions had previously been consolidated.

The new administrative and sales headquarters and manufacturing facility—in a single building containing 40,800 square feet of floor space—is strategically located near main arteries of transportation to take advantage of proximity to suppliers and to provide faster service to the largest segment of our market, at substantial savings in costs of freight. The concurrent updating of plant machinery and the installation of new material handling equipment is expected to provide a smoother flow of in-plant materials and contribute to the reduction of manufacturing costs.

While the relocation and equipment upgrading programs affected our 1965 profits, we now face the future with a new outlook. As soon as the initial start-up costs of the new plant have been absorbed, it is believed that the savings resulting from the fully integrated operation will contribute to increased profits in the years ahead.

In 1965, aircraft spare parts, though reaching the forecasted level of sales, continued their expected decline in volume. Increased volume of our industrial products more than compensated for this decline.

Sales of industrial engines—heavily for snowmobile use—again increased in 1965, due primarily to the attraction of important new customers following the extension of our franchise to the United States market.

Orders already received indicate that sales volume of the industrial engine product line will again increase in 1966, as we continue penetration of the greater potential opened to us. Compressor and automotive product sales are also expected to grow.

Once again we are glad for the opportunity to express, on behalf of the Board of Directors, our thanks to all employees for their devoted and untiring efforts, especially for the extra time given during the move to our new consolidated headquarters.

John B. Morris | William J. Mann

JOHN B. MORRIS
*Chairman of the Board*

WILLIAM J. MANN
*President*

March 15, 1966.

Canadian
Curtiss-Wright, Limited
and Subsidiaries
*(Incorporated under the laws of Ontario)*

# CONSOLIDATED BA

## ASSETS

| | Cost $ | Accumulated depreciation $ | 1965 $ | 1964 $ |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash | | | 207,328 | 65,216 |
| Short-term deposits | | | 200,000 | — |
| Accounts receivable | | | 1,191,163 | 1,646,610 |
| Inventories—at the lower of cost or net realizable value | | | 999,941 | 1,040,920 |
| Prepaid expenses | | | 20,958 | 47,312 |
| Income taxes recoverable | | | 7,356 | 3,710 |
| | | | 2,626,746 | 2,803,768 |
| **Fixed Assets** | | | | |
| Land, buildings and leasehold improvements | — | — | — | 91,985 |
| Equipment | 272,272 | 145,305 | 126,967 | 110,635 |
| | 272,272 | 145,305 | 126,967 | 202,620 |
| Property held for sale—at cost less accumulated depreciation | | | 79,585 | — |
| | | | 206,552 | 202,620 |
| **Other Assets** | | | | |
| Franchises—at cost, less amounts written off | | | 141,298 | 191,358 |
| Goodwill—at cost | | | 30,737 | 32,260 |
| | | | 172,035 | 223,618 |
| | | | 3,005,333 | 3,230,006 |

APPROVED ON BEHALF OF THE BOARD

JOHN B. MORRIS } DIRECTORS
WILLIAM J. MANN }

## Auditors' Report

## to the Shareholders

We have examined the consolidated balance sheet of Canadian Curtiss-Wright, Limited and subsidiaries as of December 31, 1965 and the related consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1964.

# ANCE SHEET AS OF DECEMBER 31, 1965

## LIABILITIES

| | 1965<br>$ | 1964<br>$ |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | 500,018 | 482,636 |
| Due to parent company | 744,915 | 1,010,439 |
| | 1,244,933 | 1,493,075 |

## SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| **Capital Stock** (note 1) | | |
| Authorized— | | |
| 5,000,000 shares without par value | | |
| Issued and fully paid— | | |
| 4,347,730 shares | 1,495,608 | 1,495,608 |
| **Retained Earnings** | 264,792 | 241,323 |
| | 1,760,400 | 1,736,931 |
| | 3,005,333 | 3,230,006 |

NOTES

1. RESERVATIONS OF CAPITAL STOCK
   100,000 shares of the authorized capital stock have been set aside for the purpose of granting stock options to employees. Options have been granted to purchase 12,000 shares on or before May 2, 1967 at $1.15 per share.

2. INCOME TAXES
   No provision for income taxes has been charged in arriving at the net earnings for the year because of the application of prior years' losses. The amount of income taxes otherwise chargeable against earnings would have been $19,000.

3. LEASE COMMITMENT
   A subsidiary has a lease for land and a building terminating in 1970 requiring the payment of an annual rental of $32,909. The subsidiary has an option to renew for additional periods to 1985.

4. RESTATEMENT OF 1964 COSTS
   Restated because of reclassification of costs.

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In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as of December 31, 1965 and December 31, 1964 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Toronto, February 4, 1966

Canadian Curtiss Wright, Limited

and Subsidiaries

# Consolidated Statement of Earnings and Retained Earnings

### for the Year Ended December 31, 1965

| | 1965 $ | 1964 $ |
|---|---|---|
| Sales | 5,584,616 | 5,337,593 |
| Cost of Sales (note 4) | 4,818,326 | 4,539,403 |
| | 766,290 | 798,190 |
| Selling, general and administrative, and financial expenses (note 4) | 730,708 | 702,309 |
| | 35,582 | 95,881 |
| Other income | 20,642 | 13,825 |
| | 56,224 | 109,706 |
| Provision for income taxes (note 2) | – | 27,000 |
| Net earnings for the year | 56,224 | 82,706 |
| Retained earnings – Beginning of year | 241,323 | 158,617 |
| | 297,547 | 241,323 |
| Expenses of moving to new plant | 32,755 | – |
| Retained earnings – End of year | 264,792 | 241,323 |

| | | |
|---|---|---|
| The following are included in the above statement: | | |
| Depreciation of fixed assets | 42,363 | 37,991 |
| Amortization of franchises | 51,583 | 42,686 |
| Directors' fees | 2,100 | 2,300 |
| Interest expense | 5,409 | 5,401 |
| Profit on disposal of fixed assets | 21,864 | 480 |

# Canadian Curtiss Wright, Limited

General Office: 500 Carlingview Drive, Rexdale, (Toronto), Ontario

## Consolidated Statement of Source and Use of Funds

### for the Year Ended December 31, 1965

| | 1965 $ | 1964 $ |
|---|---|---|
| Source of funds | | |
| Net earnings for the year | 56,224 | 82,706 |
| Add: Depreciation and amortization of franchises | 93,946 | 80,677 |
| | 150,170 | 163,383 |
| Proceeds on disposal of fixed assets and investments, less profit included above | 29,051 | 52,001 |
| | 179,221 | 215,384 |
| Use of funds | | |
| Expenses of moving to new plant | 32,755 | – |
| Less: Write-off of leasehold improvements | 5,926 | – |
| | 26,829 | – |
| Purchase of fixed assets | 81,272 | 59,319 |
| | 108,101 | 59,319 |
| Increase in working capital | 71,120 | 156,065 |
| Working capital – Beginning of year | 1,310,693 | 1,154,628 |
| Increase in working capital | 71,120 | 156,065 |
| Working capital – End of year | 1,381,813 | 1,310,693 |